



Q-Gold Resources Ltd.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

Q-Gold Resources Ltd.

Condensed Interim Consolidated Statements Of Financial Position

(Expressed in Canadian dollars - unaudited)

As at	March 31, 2020	December 31, 2019
ASSETS		
Current assets		
Cash	\$ 64,667	\$ 68,069
Amounts receivable (Note 4)	11,706	8,670
Prepaid expenses (Note 5)	4,327	-
Loan receivable (Note 6)	-	21,647
Total current assets	80,700	98,386
Total Assets	\$ 80,700	\$ 98,386
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 8,10)	\$ 212,270	\$ 171,839
Total Liabilities	212,270	171,839
Shareholders' (deficiency) equity		
Share capital	16,685,412	16,685,412
Warrants	250,129	250,129
Share based payment	169,850	169,850
Deficit	(17,236,961)	(17,178,844)
Total shareholders' (deficiency) equity	(131,570)	(73,453)
Total Liabilities and Shareholders' (Deficiency) Equity	\$ 80,700	\$ 98,386

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 14)

Approved by the Board of Directors on May 14, 2020

"Robert C. Bryce"

Robert C. Bryce, Director

"Fred Leigh"

Fred Leigh, Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Q-Gold Resources Ltd.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars - unaudited)

		Three months ended March 31,	
		2020	2019
EXPENSES			
Consultants (Note 9)	\$	21,588	\$ 97,212
Exploration and evaluation expenditures (Note 7)		4,282	5,313
Investor relations and filing fees		9,082	9,845
Professional fees		7,125	5,000
Office expenses		19,011	22,894
Total expenses	\$	61,088	\$ 140,264
Other income (expense)			
Interest income	\$	203	\$ 1,435
Foreign exchange gain (loss)		2,768	(683)
Total other income (expense)		2,971	752
Net loss and comprehensive loss	\$	(58,117)	\$ (139,512)
Loss per share			
- basic and diluted	\$	(0.00)	\$ (0.01)
Weighted average number of shares			
- basic and diluted		19,732,809	19,368,209

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Q-Gold Resources Ltd.

Condensed Interim Consolidated Statements of Changes in (Deficiency) Equity

(Expressed in Canadian dollars - unaudited)

	SHARE CAPITAL		RESERVES				
	NUMBER OF	AMOUNT (\$)	WARRANTS	SHARE BASED	DEFICIT	TOTAL	
	SHARES			PAYMENTS			
Balance at December 31, 2019	19,732,809	\$ 16,685,412	\$ 250,129	\$ 169,850	\$ (17,178,844)	\$ (73,453)	
Net loss for the period	-	-	-	-	(58,117)	(58,117)	
Balance at March 31, 2020	19,732,809	\$ 16,685,412	\$ 250,129	\$ 169,850	\$ (17,236,961)	\$ (131,570)	
Balance at December 31, 2018	19,368,209	16,621,121	416,730	368,599	(16,986,836)	419,614	
Options expired unexercised	-	-	-	(176,549)	176,549	-	
Net loss for the period	-	-	-	-	(139,512)	(139,512)	
Balance at March 31, 2019	19,368,209	\$ 16,621,121	\$ 416,730	\$ 192,050	\$ (16,949,799)	\$ 280,102	

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Q-Gold Resources Ltd.

Condensed Interim Consolidated Statements Of Cash Flow

(Expressed in Canadian dollars - unaudited)

	Three months ended March 31,	
	2020	2019
Cash (used in) provided by:		
<i>Operating activities</i>		
Net loss for the year	\$ (58,117)	\$ (139,512)
Adjustments for items not affecting cash		
Unrealized foreign exchange loss	(1,729)	16
	(59,846)	(139,496)
Changes in non-cash working capital (Note 13)	33,170	(20,992)
Net cash (used in) operating activities	\$ (26,676)	\$ (160,488)
<i>Investing activities</i>		
Loan repaid (Note 6)	23,274	-
Net cash provided by investing activities	\$ 23,274	\$ -
(Decrease) in cash during the period	(3,402)	(160,488)
Cash, beginning of period	68,069	454,734
Cash, end of period	\$ 64,667	\$ 294,246

Supplemental Disclosure

Interest paid	\$	-	\$	6
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Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars - unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Q-Gold Resources Ltd. ("Q-Gold" or the "Company") was incorporated under the Business Corporations Act (Alberta) on March 25, 1998 under the name Solana Petroleum Corp. In January 2004, the Company changed its name to Q-Gold Resources Ltd., and in December 2011, continued to British Columbia. In October 2018, the Company continued to Ontario.

The registered head office of the Company is located at 65 Queen Street West, Suite 815, Toronto, Ontario, M5H 2M5. The Company's shares trade on the TSX Venture Exchange ("TSXV") under the symbol QGR.

Q-Gold is a mineral exploration company focused on exploring its mineral properties and has not yet identified a commercial mineral resource. The recoverability of costs incurred on properties is dependent upon the discovery of an economically recoverable resource and Q-Gold obtaining the necessary financing to complete exploration, development and construction of processing facilities, obtaining government approvals and attaining future profitable production of the mineral resources.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and evaluation programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

Going Concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations, and do not include any adjustments to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at March 31, 2020, Q-Gold has a negative working capital of \$131,570 (December 31, 2019 – \$(73,453)), a deficit of \$17,236,961 (December 31, 2019 - \$17,178,844) and a shareholders' (deficiency) of \$(131,570) (December 31, 2019 – equity of \$(73,453)). The continuation of Q-Gold as a going concern is dependent upon the ability of the Company to obtain the necessary equity financing to continue operations, the successful results of mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom or realize proceeds from their sale. Q-Gold may periodically have to raise additional capital to fund projects and continue operations and while it has been successful in doing so in the past, there can be no assurance the Company will be able to do so in the future. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars - unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements unless otherwise noted below. The accounting policies have been applied consistently by all groups entities.

Statement of compliance

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with accounting policies based on the International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out in the Company's annual consolidated financial statements for the year ended December 31, 2019 were consistently applied to all the periods presented unless otherwise noted below.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 14, 2020.

Basis of preparation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are stated at their fair values. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Consolidation

These condensed interim consolidated financial statements include the accounts of the Q-Gold Resources Ltd. and its wholly owned subsidiaries, Q-Gold (Ontario) Ltd. and Mineral Creek Resources Inc.

Q-Gold (Ontario) Ltd. was incorporated for the purpose of holding title to Q-Gold's mineral properties in Ontario. Mineral Creek Resources Inc. was incorporated for the purpose of holding title to Q-Gold's mineral properties in Arizona.

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully condensed interim consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

New and future accounting policies

On January 1, 2020, amendments to refine the definition of materiality in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors came into effect. These amendments did not have any material impact on the Company's condensed interim consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets and impact decisions as to when exploration and development costs should be capitalized or expensed. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant areas of judgement and estimation uncertainty considered by management in preparing the condensed interim consolidated financial statements include:

Critical judgment in applying accounting policies:

- Assets' carrying values and impairment charges

Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment in a particular year. Management exercises its judgment in determining when such events or changes in circumstances have arisen and where such circumstances evidence a significant or prolonged decline of fair value on assets indicating impairment.

- Control of subsidiaries

The Company consolidates subsidiaries over which it has control. Management assesses control in accordance with IFRS 10 - Condensed Interim Consolidated Financial Statements and has determined it controls each of its subsidiaries.

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars - unaudited)

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (CONTINUED)

- Determination of functional currency

Based on the primary indicators in IAS 21 – The Effects of Change in Foreign Exchange Rates – the Canadian dollar has been determined as the functional currency of the Company and all subsidiaries, as the Canadian dollar is the currency in which funds from financing activities (i.e. issuing debt and equity instruments) are generated and because the activities of the foreign operation are carried out as an extension of the reporting entity, rather than being carried out with a significant degree of autonomy. Effects of changes in foreign exchange rates are recorded as foreign exchange gain (loss) on the condensed interim consolidated statement of loss. If the functional currency of the United States entity had been the US dollar, the effect of changes in foreign exchange rates would have been reflected as other comprehensive income and carried as a cumulative translation adjustment within accumulated other comprehensive income in the equity section of the condensed interim consolidated statement of financial position.

Key sources of estimation uncertainty:

- Assets' carrying values and impairment charges

The determination of carrying values and impairment charges and their individual assumptions require that management make an estimate based on the best available information at each reporting period. Under situations where management has determined indicators of impairment are present, an impairment assessment will be performed by management whereupon management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets.

- Estimation of decommissioning and restoration costs and the timing of expenditure

The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Share based payment transactions and warrants

The Company records share-based payments at fair value over the vesting period. The Company also issues warrants. The fair value of the options and warrants is determined using the Black-Scholes options pricing model and management assumptions including the expected dividend yield, expected volatility, forfeiture rate, risk free rate and expected life. Should the underlying assumptions change, it will impact the fair value. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

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(Expressed in Canadian dollars - unaudited)

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (CONTINUED)

Key sources of estimation uncertainty (continued):

- Income, value added, withholding and other taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Contingencies.

Refer to Notes 1 and 14.

4. AMOUNTS RECEIVABLE

	March 31, 2020		December 31, 2019	
Sales taxes receivable	\$	11,511	\$	7,508
Others		195		1,162
	\$	11,706	\$	8,670

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars - unaudited)

5. PREPAID EXPENSES

	March 31, 2020	December 31, 2019
Insurance	\$ 4,327	\$ -
	\$ 4,327	\$ -

6. LOAN RECEIVABLE

The Company entered into a short-term loan agreement of US\$16,667 (\$21,647) in 2019. Interest was accrued on the loan principal as well as accrued and unpaid interest at 10% per annum. The loan plus interest accrued was repayable in cash on demand. The borrower may negotiate repayment of the Loan with the Company by way of transfer of securities or other investment products but any arrangement for repayment other than cash remains subject to a subsequent written agreement.

As of December 31, 2019, loan principal plus accrued interest of US\$17,562 (\$22,809) (2018 – US\$ nil (\$nil)) remained outstanding.

During the three months ended March 31, 2020, the loan principal plus accrued interest of US\$17,717 (\$24,740) was repaid in full to the Company. At the time the loan was provided, the borrower was not related to the Company. At the time of repayment, the borrower was controlled by a corporation that had an officer and director in common with the Company.

7. EXPLORATION AND EVALUATION EXPENDITURES

The Company maintains certain mineral claims near Mine Centre, Ontario that include the historic Foley gold mine and the McKenzie Gray gold/silver zone. The Company previously held certain Bureau of Land Management (U.S. Department of the Interior) Mineral Claims near Crown King, Arizona which were relinquished in 2019. (See Note 14)

	Three months ended March 31,	
	2020	2019
<u>Q-Gold Ontario properties</u>		
Labour and consulting	\$ 550	\$ 1,700
Land and property taxes	1,482	1,363
Rent for Core shacks	2,250	2,250
Total Exploration and Evaluation Expenditures	\$ 4,282	\$ 5,313

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2020	December 31, 2019
Trade payables	\$ 181,096	\$ 104,379
Accruals	31,174	67,460
	\$ 212,270	\$ 171,839

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars - unaudited)

9. RELATED PARTY TRANSACTIONS

The Company shares office space with other companies who may have common officers and directors. The costs associated with the use of this space, including the provision of office equipment and supplies, are administered by 2227929 Ontario Inc. to whom the Company pays a fee of \$10,000 per month. As at March 31, 2020, the Company had a payable balance of \$84,355 (December 31, 2019 - \$61,755) to 2227929 Ontario Inc. to cover shared expenses. Fred Leigh, an officer and director of the Company, is a director of 2227929 Ontario Inc.

Compensation of Key Management

Key management includes the Company's directors and officers. Compensation awarded to key management included:

	Three months ended March 31,	
	2020	2019
Short-term benefits	\$ -	\$ 43,333
	\$ -	\$ 43,333

Included in accounts payable and accrued liabilities as at March 31, 2020 is approximately \$8,475 (December 31, 2019 - \$8,475) due to an officer of the Company. These amounts are unsecured, non-interest bearing and due on demand.

See Note 6 – Loan receivable. Deborah Battiston is an officer and Fred Leigh is a director of the Company that controls the borrower

10. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value on the condensed interim consolidated statements of financial position are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, amounts receivable, loan receivable, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. The Company has no financial instruments recorded at fair value.

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars - unaudited)

10. FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and financial liabilities as at March 31, 2020 and December 31, 2019 were as follows:

	Amortized costs		
	Financial assets	Financial liabilities	TOTAL
<u>At March 31, 2020</u>			
Financial assets:			
Cash	\$ 64,667	\$ -	\$ 64,667
Financial liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 212,270	\$ 212,270
<u>At December 31, 2019</u>			
Financial assets:			
Cash	\$ 68,069	\$ -	\$ 68,069
Amounts receivable	\$ 1,162	\$ -	\$ 1,162
Loan receivable	\$ 21,647	\$ -	\$ 21,647
Financial liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 171,839	\$ 171,839

11. FINANCIAL RISK FACTORS

Q-Gold is exposed to a number of different risks arising from normal course business exposures, as well as the Company's use of financial instruments.

a) Liquidity risk

Liquidity risk is the risk that Q-Gold will encounter difficulty in meeting its obligations associated with financial liabilities. The Company's ability to continue as a going concern is dependent on the Board and Management's ability to raise the required capital through future equity sales or debt issues. As Q-Gold is in the exploration stage, it has no production upon which it could rely to fund its operations or the exploration of its properties.

Financial liabilities consist of accounts payable and accrued liabilities, which are current and are expected to be settled within one year.

b) Credit risk

Credit risk is the risk that a counterparty will fail to pay amounts owing or fail to perform an obligation causing a financial loss. The Company's credit risk is primarily attributable to amounts receivable and loan receivable. Q-Gold is exposed to the risk that the third party that owes its money will not perform their underlying obligation. The total carrying value of these financial instruments at March 31, 2020 was \$Nil (December 31, 2019 - \$22,809). Cash is held with high credit quality financial institutions and credit risk is considered minimal. The Company continues to monitor and is subject to, normal mining industry credit risks.

Q-Gold Resources Ltd.

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(Expressed in Canadian dollars - unaudited)

11. FINANCIAL RISK FACTORS (CONTINUED)

c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns. The Company recognizes that external factors, which it cannot control such as financial market instability and commodity prices, can adversely affect its ability to raise the necessary capital to maintain ongoing operations.

d) Currency risk

Q-Gold's operations are in Canada and the United States. The international nature of Q-Gold's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The operating results and the financial position of Q-Gold are reported in Canadian dollars. The fluctuations of the operating currencies relative to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of its assets and liabilities. The Company has sought to minimize this risk by keeping its cash reserves in Canadian dollars and only purchasing US dollars as needed. Q-Gold has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

e) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that Q-Gold will realize a loss as a result of a decline in the fair value of cash is limited because of their short-term investment nature. A variable rate of interest is earned on cash; changes in market interest rates would not have a material impact on the Company's condensed interim consolidated financial statements.

12. CAPITAL DISCLOSURES

Q-Gold's capital structure consists of shareholders' (deficiency) equity and current liabilities. The primary capital management objectives are to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk to facilitate ongoing exploration and to maintain a strong capital base so as to maintain investor confidence and provide an appropriate return to its shareholders. Q-Gold has the ability to adjust its capital structure by issuing new equity and adjusting its mineral exploration program to the extent the mineral exploration expenditures are not committed to.

As at March 31, 2020 Q-Gold had a working capital deficiency of \$(131,570) (December 31, 2019 – \$(73,453)) and no long-term debt.

No other capital requirements are imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As at March 31, 2020, the Company may not be compliant with the policies of the TSXV. The impact of any such violation is not known and is ultimately dependent on the discretion of the TSXV.

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Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars - unaudited)

13. CHANGE IN WORKING CAPITAL

Change in working capital consists of the following:

	Three months ended March 31,	
	2020	2021
Amounts receivable	(2,935)	16,139
Prepaid expenses	(4,327)	1,731
Accounts payable and accrued liabilities	40,432	(38,862)
	33,170	(20,992)

14. COMMITMENTS AND CONTINGENCIES

Management contracts

The Company is party to certain management contracts and severance obligations. These contracts contain clauses requiring additional payments of \$Nil to be made to the officers of the Company upon the occurrence of certain events such as a change of control. As the triggering effect has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately \$98,500, all due within one year.

Exploration properties

Arizona Mineral Properties

The Company held mineral claims administered by the United States Department of the Interior, Bureau of Land Management in Arizona.

The Company was required to remit annual claim maintenance payments to the United States Department of the Interior, Bureau of Land Management in the amount of US\$1,240 for the eight mineral claims (US\$ 155 per claim) held by Q-Gold's Arizona subsidiary. The Company has relinquished these claims in 2019.

Ontario Mineral Properties

The mining claims held by Q-Gold in the Kenora Mining Division of Ontario require an annual application of assessment work credits. Through application of Q-Gold's "banked" assessment work credits, its mining claims located in the Kenora Mining Division are not expected to require additional assessment work in 2020.

Environmental

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.